

1997-98 SESSION  
COMMITTEE HEARING  
RECORDS

Committee Name:

Joint Committee on  
Finance  
(JC-Fi)

Sample:

- Record of Comm. Proceedings
- 97hrAC-EdR\_RCP\_pt01a
- 97hrAC-EdR\_RCP\_pt01b
- 97hrAC-EdR\_RCP\_pt02

➤ Appointments ... Appt

➤

➤ Clearinghouse Rules ... CRule

➤

➤ Committee Hearings ... CH

➤

➤ Committee Reports ... CR

➤

➤ Executive Sessions ... ES

➤

➤ Hearing Records ... HR

➤

➤ Miscellaneous ... Misc

➤ 97hr\_JC-Fi\_Misc\_pt01m\_DPR

➤ Record of Comm. Proceedings ... RCP

➤

Joint Finance

16.505/16.515

14 Day Passive  
Reviews

6/24/96 to  
9/23/96

7/8/96  
DOC/DVA/DOA

# STATE OF WISCONSIN

SENATE CHAIR  
BRIAN BURKE

100 North Hamilton  
P.O. Box 7882  
Madison, WI 53707-7882  
Phone: 266-8535



ASSEMBLY CHAIR  
BEN BRANCEL

119 Martin Luther King Blvd.  
P.O. Box 8952  
Madison, WI 53708-8952  
Phone: 266-7746

## JOINT COMMITTEE ON FINANCE

July 9, 1996

Secretary James R. Klauser  
Department of Administration  
101 East Wilson Street, 10th Floor  
Madison, WI 53707

Dear Secretary Klauser:

On June 18, 1996, ss. 16.515/505(2) requests for: (1) the Department of Corrections (\$222,700 PR and 2.0 PR positions in 1996-97 for prison industries); (2) the Department of Veteran's Affairs (\$375,000 PR and 4.5 PR positions for additional hospital staff); and (3) the Department of Administration (approval of additional providers in the volunteer health care provider program) were submitted in memorandum from you to us for approval by the Joint Committee on Finance. These requests are approved.

However, in connection with the Department of Corrections request, the Committee wishes to reiterate its position that the manufacturing of staff uniforms, clothing for local governments or other state agencies and other sewn products by Badger State Industries could cause unfair competition with Wisconsin businesses. We note that the Department of Correction's request has taken these concerns into account, and will limit its current operations to inmate clothing. We continue to expect that, as the Secretary of the Department of Corrections indicated in his May 15, 1996, letter to the Committee, that the Committee will be advised regarding any proposed expansion of the clothing industry beyond inmate clothing.

Sincerely,

Handwritten signature of Brian Burke in black ink.

BRIAN BURKE  
Senate Chair

Handwritten signature of Ben Brancel in black ink.

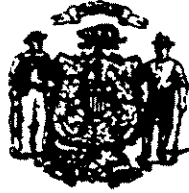
BEN BRANCEL  
Assembly Chair

cc: Members, Joint Committee on Finance  
Secretary Michael Sullivan, Department of Corrections  
Linda Nelson, Department of Administration

# STATE OF WISCONSIN

SENATE CHAIR  
BRIAN BURKE

100 North Hamilton  
P.O. Box 7882  
Madison, WI 53707-7882  
Phone: 266-8535



ASSEMBLY CHAIR  
BEN BRANCEL

119 Martin Luther King Blvd.  
P.O. Box 8952  
Madison, WI 53708-8952  
Phone: 266-7746

## JOINT COMMITTEE ON FINANCE

### MEMORANDUM

TO: Members  
Joint Committee on Finance

FROM: Representative Ben Brancel  
Senator Brian Burke  
Co-Chairs, Joint Committee on Finance

DATE: June 19, 1996

RE: 16.515/16.505 (2) Requests

Attached is a copy of a request from the Department of Administration dated June 18, 1996 pursuant to 16.515/16.505(2) pertaining to requests from the Departments of Corrections, Veterans Affairs, and Administration.

Please review these items and notify **Representative Brancel's office** no later than **Monday, July 8, 1996**, if you have any concerns about the request or would like the Committee to meet formally to consider it.

Also, please contact us if you need further information.

BB:BB:al

**CORRESPONDENCE MEMORANDUM****STATE OF WISCONSIN  
Department of Administration**

**Date:** June 18, 1996

**To:** The Honorable Brian Burke, Co-Chair  
Joint Committee on Finance

The Honorable Ben Brancel, Co-Chair  
Joint Committee on Finance

**From:** James R. Klauser, Secretary  
Department of Administration

**Subject:** S. 16.515/16.505(2) Requests

Enclosed are requests which have been approved by this department under the authority granted in s. 16.515 and s. 16.505(2). The explanation for each request is included in the attached materials. Listed below is a summary of each item:

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>1995-96</u> <u>AMOUNT</u>	<u>FTE</u>	<u>1996-97</u> <u>AMOUNT</u>	<u>FTE</u>
DOC 20.410(1)(km)	Prison Industries			\$222,700	2.00
DVA 20.485(1)(gk)	Institutional Operations; AODA Hospital Unit Staff			\$375,000	4.50
DOA	Volunteer Health Care Provider Program				

As provided in s. 16.515, this request will be approved on July 10, 1996, unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about this request.

Please contact Linda Nelson at 266-3330, or the analyst who reviewed the request in the Division of Executive Budget and Finance, if you have any additional questions.

Attachments

# **CORRESPONDENCE MEMORANDUM**

**STATE OF WISCONSIN**  
**Department of Administration**

**Date:** June 5, 1996

**To:** James R. Klauser, Secretary  
Department of Administration

**From:** Pamela Henning, Policy and Budget Analyst *PJH*  
State Budget Office

**Subject:** Request Under s. 16.505/515 From the Department of Veterans Affairs For the Veterans Home Alcohol and Other Drug Abuse Hospital Unit.

## **REQUEST:**

The Department of Veterans Affairs (DVA) requests an increase in expenditure authority of \$375,000 PR in fiscal year 1996-97 in appropriation s. 20.485 (1)(gk), institutional operations, to operate the Alcohol and Other Drug Abuse (AODA) hospital unit that is being established at the Wisconsin Veterans Home at King. In addition, DVA also requests an increase in position authority of 4.5 FTE nurse clinician positions to staff the 3-bed AODA hospital unit 24 hours per day 365 days per year. The DVA requests the increase in expenditure and position authority be added as a continuing cost to the department's base budget in fiscal year 1996-97.

## **REVENUE SOURCES FOR APPROPRIATION(S):**

The sources of revenue deposited in the appropriation under s. 20.485 (1)(gk), institutional operations, are from four major sources: (1) charges assessed against member's excess assets and income; (2) medical assistance payments; (3) U.S. Department of Veterans Affairs per diem payments; and (4) general fund appropriations (fuel and utilities, cemetery maintenance and debt service).

## **BACKGROUND:**

1995 Wisconsin Act 20 and 1995 Wisconsin Act 27 (the biennial budget) authorized the Wisconsin Veterans Home (Home) to convert up to 16 beds from nursing home beds to AODA hospital beds. The legislation was enacted to maximize federal reimbursement under the medical assistance (MA) program in covering operating costs of the Home, thus avoiding a GPR supplement in fiscal year 1995-1996 and 1996-1997. Payment for the care of MA recipients at the Home is based on actual costs incurred by the Home, subject to a federal maximum. The Home was exceeding the federal maximum reimbursement rate for MA of \$96.49 per day in 1994-95. As a hospital-based nursing home, the Home is eligible for a higher maximum rate of \$110 per day, of which 60% is federal funds. The higher MA reimbursement rate resulting from conversion to a hospital-based nursing home will generate additional federal MA of \$1.3 million in fiscal year 1995-96 and \$1.7 million in fiscal year 1996-97.

When preparing legislation related to Act 20 and Act 27, DVA worked closely with the Department of Health and Social Services (DHSS) in determining MA reimbursement rates and operation and regulation of a hospital-based nursing home. Since the Home currently was

serving elderly and disabled veterans in a long-term care unit with alcohol and other drug abuse problems, it was anticipated that the Home would be able to use existing staff to operate the new AODA hospital-based unit by obtaining a federal waiver from the U.S. Department of Health and Human Services. Because of the need to enact legislation prior to the end of fiscal year 1994-95 to maximize on federal reimbursement rates, DHSS did not have sufficient time to obtain a waiver for the Home's hospital-based nursing unit. After further discussions with DHSS and the U.S. Department of Health and Human Services, it was later determined that in order for the Home to meet federal regulations for a hospital, it must have a nurse in the hospital 24 hours per day, 365 days per year. In order for the Home to meet that federal requirement, 4.5 FTE nurse clinician positions are needed.

#### **ANALYSIS:**

The Home is currently not operating the hospital-based nursing unit but is able to receive federal MA reimbursement at the higher rate of \$110 per day because the Home is licensed as a hospital-based nursing facility and has incurred costs in fiscal year 1995-96 as it progresses towards full operation of the hospital unit. In order for the Home to continue to receive its maximum federal reimbursement at the higher rate, it must become fully operational as a hospital-based nursing facility by dedicating 4.5 FTE nurse clinician positions to the unit, per federal regulations.

DVA reviewed the alternative of contracting for nursing services for the hospital-based AODA unit in lieu of requesting 4.5 FTE positions. Based upon the department's analysis, it is more cost effective for the Home to employ 4.5 FTE positions (\$375,000) than to contract with an employment service (\$465,000). The comparison of costs for 4.5 FTE is stated in the table below.

#### **Estimated Costs for AODA Hospital-Based Unit at Veterans Home**

	<u>Hourly Wage</u>	<u>Hours Worked</u>	<u>Contract Hours</u>	<u>Total Staff Costs</u>	<u>Contracted AODA Services</u>	<u>Overhead Costs</u>	<u>Total Costs</u>
<b><u>State</u></b>	\$29.69*	9360**		\$277,900	\$2,950	\$94,150	\$375,000
<b><u>Contract</u></b>	\$42.00		8760**	\$367,900	\$2,950	\$94,150	\$465,000

- \* State hourly wage includes averaged rate of nursing positions plus fringe benefit rate and shift differentials.
- \*\* Differential in hours worked for state versus contract staff is a result of vacations, holiday, personal and sick leave benefits provided to state employees.

In addition to the \$1.7 million of revenue in fiscal year 1996-97 due to the higher MA reimbursement rate for all nursing care services, the Home will also receive \$387,000 of actual MA revenues for the hospital-based nursing unit which is reimbursed at a separate rate. The Home's program revenue cash balance is sufficient to cover the additional costs of the hospital-

James R. Klauser, Secretary  
June 5, 1996  
Page 3

based AODA unit. The Home will have an ending cash balance for fiscal year 1996-97 of \$4,172,232. The significant ending cash balance is a result of a retro payment received in fiscal year 1995-96 from the federal government that reflects a change in the MA reimbursement formula for fiscal year 1994-95 based upon actual costs at the Home.

The intent of Act 20 and Act 27 was to allow the Home to convert to a hospital-based nursing facility thus maximizing federal MA funding and avoiding immediate GPR supplements. In order to comply with the intent of both of those Acts and federal regulations governing nursing homes and hospitals, 4.5 FTE nurse clinician positions and associated funding to staff the AODA unit are required at the Home.

**RECOMMENDATION:**

Approve the request.

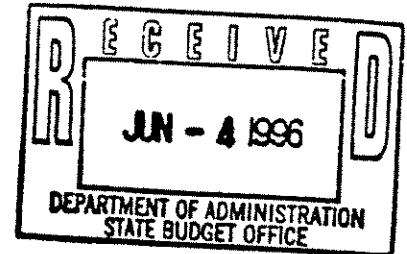
## CORRESPONDENCE / MEMORANDUM

STATE OF WISCONSIN  
DEPARTMENT OF VETERANS AFFAIRS

Date: June 3, 1996

To: James Klauser, Secretary  
Department of Administration

From: *RGB*  
Raymond G. Boland, Secretary  
Department of Veterans Affairs



Subject: s.16.515 and s. 16.505 Request for the Veterans Home AODA Hospital Unit

The Department of Veterans Affairs requests consideration under s. 16.515 to increase the expenditure authority for the Institutional Operations Appropriation (s. 20.485(1)(gk)) by \$375,000 PR in fiscal year 1996-97. The additional expenditure authority is needed to operate the Alcohol and Other Drug Abuse (AODA) Hospital unit that is being established at the Wisconsin Veterans Home at King. In addition, the Department also requests consideration under s. 16.505 for additional position authority of 4.5 FTE nurse clinician positions to staff the 3-bed AODA hospital unit 24 hours per day 365 days per year.

1995 Wisconsin Act 20 authorized the Wisconsin Veterans Home to establish an AODA hospital unit. The legislative intent of this Act was to maximize federal participation under the Medical Assistance (MA) program in covering the operating costs at the Veterans Home and to provide more intensive services for individuals with AODA problems. Prior to the enactment of Act 20, the Veterans Home had been classified as a rural nursing care facility under the MA program. As such, the maximum daily MA rate for routine services was \$96.49. Operating costs at the Veterans Home had reached the upper limit. Without an increase in the MA daily rate, a substantial revenue shortfall would have occurred. A GPR supplement would have been needed to cover the shortfall. As a "hospital-based nursing home", the maximum allowable rate is currently \$110, of which 60% is federal funds.

When this authorizing legislation was being considered (and during related action in the 1995-97 biennial budget), the Department worked with the Department of Health and Social Services to resolve issues involving the operation and regulation of the AODA hospital unit. The Veterans Home already had a long term care unit serving elderly and disabled residents with alcohol problems and histories. Based on a review of related federal regulations and the specific circumstances of the planned hospital unit, the Department anticipated that it would be possible to use existing staff at the Veterans Home to operate the new AODA hospital unit. (The applicable federal regulations seemed to allow for waivers and variances under specific circumstances.) Therefore, the projected incremental cost to operate the new AODA hospital unit was assumed to be minimal and could be absorbed without additional expenditure authority.

Unfortunately, the limited timeframe for obtaining legislative authorization for the AODA hospital unit did not allow sufficient time to obtain the needed waivers and variances prior to passage of the bill. The Department of Health and Social Services (DH&SS) has subsequently been involved in ongoing negotiations with the U.S. Department of Health and Human Services

to allow the Veterans Home to develop and implement an AODA unit that is as cost effective as possible. Only recently has it been determined that, in order to meet federal standards for a hospital, the Home must have staff dedicated to the hospital unit. These standards apply regardless of the size of the unit, the needs of the patients, or the specific features of the physical plant (i.e., the proximity of the hospital to the nursing units). As a result of this regulatory interpretation, implementation of the hospital unit has been delayed pending modification of the Medicaid state plan (so that a higher hospital per day cost could be reimbursed under that program), and a full review staffing options.

The Department has analyzed the cost to contract for nurse coverage for the hospital unit (see Attachment A). Based on the analysis, it will be more cost effective to use state employees verses contracting (\$375,000 vs. \$465,000). An additional advantage to using state employees is that there would be greater continuity of care and an ability use those staff to provide limited support services to other nursing units at the Home.

The rigid interpretation of the federal regulations prevents the Veterans Home from taking advantage of a unique opportunity to establish a cost-effective AODA hospital unit. It is estimated that the hospital unit will cost \$375,000 PR annually beginning in FY97 (see Attachment A). The 4.5 FTEs requested represent the number of nursing staff required to operate the hospital unit 24 hours per day 365 days per year. The current estimate of the annual cost to operate the Hospital unit is approximately the same as DH&SS projected in their fiscal note and do not exceed the median cost for AODA hospital days paid under the Wisconsin Medicaid Program. A breakdown of the costs is provided below:

Salaries	\$186,540
Fringe	91,360
Supplies and Services	97,100
	-----
	\$375,000

The per day cost for the hospital unit is higher than earlier projected due, in part, to the high patient turnover in a hospital program of this type. In addition, the total number of Medicaid reimbursable hospital days will be below the level originally projected by DH&SS. However, it should be noted that the costs incurred to implement the hospital unit in FY96 have been within the previously authorized expenditure level for the nursing home services at the Veterans Home.

The higher MA reimbursement rate for nursing home services that result from being classified as a hospital-based nursing home will generate \$1.3 million in FY96 and \$1.7 million in FY97 of additional federal MA dollars. The additional service to veterans will also be significant, helping veterans overcome primarily alcohol problems that complicate other long term care needs, and negatively affect the quality of their lives. Most AODA units do not specialize in clients who are elderly and disabled and who have chronic health care problems in addition to their addiction which will make this service particularly valuable.

In the attached B-3 form, the ending balance for the operations at the Veterans Home will be more than sufficient to cover the additional cost of the AODA hospital unit. As previously

Page 3

indicated, failure to establish the hospital unit at the Home will result in the loss of nearly \$3.0 million dollars of added federal MA dollars for the 1995-97 biennium. It is therefore requested that the s.16.505 request for 4.5 FTE positions and s. 16.515 request for \$375,000 of additional expenditure authority in FY 97 be approved. It is also requested that these be increases to the base budget for Appropriation s. 20.485(1)(gk ).

Thank you for your assistance with this matter. If you have any questions or need additional information, please call Ken Abrahamsen or my staff at 266-0117.

cc: Robert Cocroft  
Charles Hoslet  
Steve Handrich  
Ken Abrahamsen  
Steve Stead  
Tim Mero

# ATTACHMENT A

## ESTIMATED COSTS FOR AODA HOSPITAL UNIT AT THE VETERANS HOME

Type of Employees	Hourly Rate	Hourly Wage 7AM to 7PM	#3 Fringe Rate 3 Full at 43.85% 3 50% at 59.25% weighted	Hourly Rate with Fringe Benefits # weighted	7AM to 7PM 7PM to 7AM	Contract Hours	Total Staff Costs	Contracted AODA Services	Allocated/ Overhead Costs	Total Costs
State		\$18.054	48.98%	#2 \$26.90	4,680 hrs		\$125,877	\$2,950	\$94,150	\$375,000
		\$21.804	48.98%	\$32.48	4,680 hrs		\$152,023			
				\$29.69						
Contract	\$42 #1				9,360 #4	8,760	\$367,920	\$2,950	\$94,150	\$465,020

contract rate provided by State Temp Services of Wisconsin

RN's who work 7 PM to 7 AM are eligible for \$.75 shift diff and \$2.50 Perm shift 25 responsibility and \$.40 extra on weekends

Health care benefit raises the fringe rate for 50% employees beyond standard fringe rate

Differential in number of hours in State staff and contract allows for vacations, Holiday, Personal and Sick Leave use benefits provided to State Employees

**PAGE**

PARLIMENT  
LOGRAM  
IND  
JMEIC APPROPRIATION  
ECISION ITEM  
VENUE TYPE

[illegible]

# **CORRESPONDENCE MEMORANDUM**

**STATE OF WISCONSIN**  
**Department of Administration**

**Date:** June 12, 1996

**To:** James R. Klauser, Secretary  
Department of Administration

**From:** Pamela Henning, Policy and Budget Analyst *PH*  
State Budget Office

**Subject:** Request under s. 16.515 Type Passive Review Process from the Department of Administration for the Volunteer Health Care Provider Program

## **REQUEST:**

Pursuant to s. 146.89, the Department of Administration (DOA) requests approval for participation in the Volunteer Health Care Provider Program of an additional seventeen applications from medical professionals volunteering services through Donated Health Care Services, Inc.

## **BACKGROUND:**

At the April s. 13.10 meeting, the Joint Committee on Finance (JCF) approved the joint application of Donated Health Care Services, Inc. (a non-profit agency located in Washington County) and twelve medical professionals volunteering services through that agency for participation in the Volunteer Health Care Provider Program. The Volunteer Health Care Provider Program is authorized under s. 146.89 and allows volunteer health care providers in connection with a non-profit entity to offer their services without charge to provide basic medical care for low-income, uninsured persons who do not receive health care from other publicly-funded programs such as medicaid.

Since DOA cannot unilaterally approve any subsequent applications jointly submitted by Donated Health Care Services, Inc. and additional providers in Washington County without obtaining approval of the applications from JCF, the JCF stipulated at the s. 13.10 meeting that any additional joint applications with Donated Health Care Services, Inc. may be submitted to JCF under a s. 16.515 type passive review process.

## **ANALYSIS:**

DOA indicated at the s. 13.10 meeting in April, 1996, that Donated Health Care Services, Inc. may be receiving 20 or more additional provider applications for participating in the Volunteer Health Care Provider Program. Since the meeting, DOA has received seventeen additional applications from medical professionals willing to participate in the Volunteer Health Care Provider Program by providing volunteer services through Donated Health Care Services, Inc.

James R. Klauser, Secretary  
June 12, 1996  
Page 2

The seventeen applications submitted are as follows:

<u>Name</u>	<u>Profession</u>	<u>Specialty</u>
Byerly, Sandra K.	Physician	Family Practice
Froelich, James D.	Physician	Family Practice
Geiger, Charles S., Jr.	Physician	Internal Medicine
Gerard, William L.	Physician	Family Practice
Harder, Delores	Registered Nurse	
Henschel, Pamela	Registered Nurse	
Latz, Patricia A.	Registered Nurse	
Lloyd, Marjorie A.	Registered Nurse	
Maley, Laura Jane	Registered Nurse	
Newville, Arlene	Registered Nurse	
Owens, William L.	Physician	Surgery-General
Seitz, Gloria J.	Registered Nurse	Ob-Gyn
Sherkow, Larry H.	Physician	Radiology-Diagnostic
Sorenson, Richard F.	Physician	Family Practice
Steiner, Gayle J.	Registered Nurse	
Steiner, Virginia J.	Registered Nurse	
Wilson, Jacqueline L.	Registered Nurse	

The seventeen applications from participants wishing to provide volunteer services through Donated Health Care Services, Inc. have been reviewed and approved by the Department of Regulation and Licensing Medical Examining Board as required under s. 146.89 (2).

**RECOMMENDATION:**

Approve the request.

STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION  
101 East Wilson Street, Madison, Wisconsin

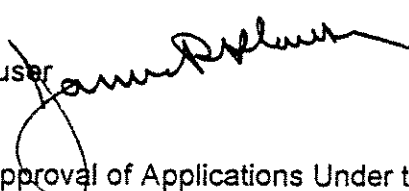


Mailing address:  
Post Office Box 7864  
Madison, WI 53707-7864

TOMMY G. THOMPSON  
GOVERNOR  
JAMES R. KLAUSER  
SECRETARY

Date: June 4, 1996

To: Richard Chandler, Director  
State Budget Office

From: James R. Klauser  
Secretary 

Subject: Request for Approval of Applications Under the Volunteer Health Care Provider Program

During the April s. 13.10 meeting, the Joint Committee on Finance approved the joint application of Donated Health Care Services Inc., a Washington County non-profit agency, and 12 medical professionals for participation under the Volunteer Health Care Provider Program as authorized under s. 146.89 of the Wisconsin Statutes. The Committee further stipulated that any additional medical professionals volunteering services through that agency be eligible for approval under a 14 day passive review process.

Subsequent to that meeting, the department has received 17 additional applications from medical professionals wishing to provide volunteer services through Donated Health Care. These applications have been reviewed and approved by the Department of Regulation and Licensing - Medical Examining Board as provided under s. 146.89(2). Consequently, the department requests approval of the following medical professionals for participation in the Volunteer Health care Provider Program:

<u>Name</u>	<u>Profession</u>	<u>Specialty</u>
Byerly, Sandra K.	Physician	Family Practice
Froelich, James D.	Physician	Family Practice
Geiger, Charles S. Jr.	Physician	Internal Medicine
Gerard, William L.	Physician	Family Practice
Harder, Delores	Registered Nurse	
Henschel, Pamela	Registered Nurse	
Latz, Patricia A.	Registered Nurse	
Lloyd, Marjorie A.	Registered Nurse	
Maley, Laura Jane	Registered Nurse	
Newville, Arlene	Registered Nurse	

<u>Name</u>	<u>Profession</u>	<u>Specialty</u>
Owens, William L.	Physician	Surgery-General
Seitz, Gloria J.	Registered Nurse	OB-GYN
Sherkow, Larry H.	Physician	Radiology-Diagnostic
Sorenson, Richard F.	Physician	Family Practice
Steiner, Gayle J.	Registered Nurse	
Steiner, Virginia J.	Registered Nurse	
Wilson, Jacqueline L.	Registered Nurse	

Rollie Boeding, Bureau Director for State Risk Management, can be contacted at 266-1866 with questions regarding the Volunteer Health Care Provider Program and this request.


cc: Robert Lang, Legislative Fiscal Bureau  
Rollie Boeding, Bureau of State Risk management

# **CORRESPONDENCE\MEMORANDUM**

**STATE OF WISCONSIN**  
**Department of Administration**

**Date:** June 4, 1996

**To:** James R. Klauser, Secretary  
Department of Administration

**From:**   
Roger Fetterly, Budget Analyst  
Division of Executive Budget and Finance

**Subject:** S. 16.515 Request from the Department of Corrections

## **REQUEST**

The Department of Corrections (DOC) requests a permanent increase in expenditure authority of \$222,700 PR and 2.0 PR FTE positions in appropriation s. 20.410(1)(km), Prison Industries, in FY97 to operate a Badger State Industries (BSI) textile industry at Jackson Correctional Institution (JCI).

## **BACKGROUND**

BSI is an enterprise activity operating 13 prison industries providing employment for approximately 488 inmates at 9 correctional institutions and centers. BSI is an integral part of the correctional system providing laundry, textiles, printing, and wood and metal furniture for new and existing correctional institutions. BSI also provides similar products and services to other governmental agencies and limited products and services for non-profit agencies.

In September 1994, based on an extensive marketing study, the Prison Industries Board approved a textile industry to manufacture inmate clothing at JCI, a 750 bed medium security prison which was under construction. The Governor's recommendation to provide program revenue funding and position authority in the 95-97 biennial budget to begin operating the JCI industry in FY97 was deleted by the legislature.

JCI, which opened in May of 1996, includes a prison industries building of approximately 20,000 square feet which will be ready for operation by October of 1996.

As required under section 303.01(1)(c) of the statutes, DOC gave notice to the Joint Committee on Finance of the intent to establish a clothing industry at JCI and a public hearing was held on April 16, 1996.

### ANALYSIS

DOC is requesting an increase in expenditure and position authority in FY97 to cover the following costs to operate the textile industry at JCI:

	<u>PR</u>	<u>FTE</u>
Cost of material	\$135,000	2.0
Direct inmate labor	15,000	
Staff salaries and fringe (9 months in FY97)	49,900	
Misc. supplies	5,000	
Administration	<u>17,800</u>	<u>0.0</u>
Total	\$222,700	2.0

It is estimated that DOC will order 20,000 shirts and 20,000 pants per year when the industry is in full operation and produce \$365,000 in program revenue receipts annually. Annual expenditures of \$341,400 will generate a profit of \$23,600. An average of 27 inmates will be employed for 37 hours per week at \$.70 per hour.

For 9 months of operation in FY97, the industry is estimated to produce \$240,000 in revenue and \$222,700 in expenditures for a profit of \$17,300.

The addition of this industry to JCI will provide valuable work experience for inmates and help to reduce inmate idleness.

Summary of current financial condition of appropriation 20.410(1)(km). The following is the current fund condition of the BSI appropriation:

	<u>FY97</u>
Opening balance projected for July 1, 1996	\$-1,672,000
Projected revenue	\$14,240,000
Revenue for this 16.505/515 request	<u>240,000</u>
Total Revenue	\$14,480,000
Projected expenditures	\$13,840,000
Expenditures for this 16.505/515 request	<u>222,700</u>
Total expenditures	\$14,062,700
Closing balance, June 30, 1997	\$-1,254,700

James R. Klauser  
June 4, 1996  
Page 3

Based on projected revenue and expenditures, sufficient revenue will be available to cover the additional cost of the new industry and also provide an operating surplus to further reduce the general fund deficit by \$17,300.

#### SUMMARY

DOC requests an increase in expenditure authority of \$222,700 PR and 2.0 FTE PR positions in FY97 to establish a textile industry at JCI which opened in May of 1996. This request is similar to the Governor's recommendation in the 1995-97 biennial budget for a prison industry at JCI.

#### RECOMMENDATION

Approve the request for a textile industry at JCI as proposed by DOC.

File: doc/505-97#1.doc

Tommy G. Thompson  
Governor

Michael J. Sullivan  
Secretary



## State of Wisconsin Department of Corrections

Mailing Address  
149 East Wilson Street  
Post Office Box 7925  
Madison, WI 53707-7925  
Telephone (608) 266-2471

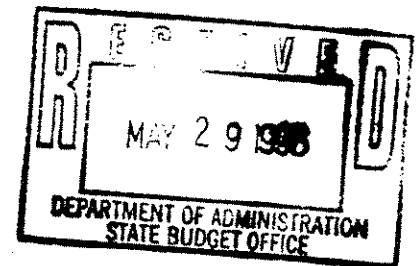
May 29, 1996

### MEMORANDUM

TO: James R. Klauser, Secretary  
Department of Administration

FROM: Michael J. Sullivan, Secretary  
Department of Corrections

SUBJECT: S. 16.505(2) and S. 16.515(1)  
Request for Appropriation 20.410(1)(km),  
Numeric Appropriation 134, Prison Industries



The Department of Corrections requests the addition of 2.0 permanent positions and a permanent increase in expenditure authority in S. 20.410(1)(km), appropriation 134 of \$222,700 in FY97 for operating a Textile Industry at the Jackson Correctional Institution.

### Background

The Jackson Correctional Institution has started receiving inmates. Included in the construction of this facility is a Prison Industries building of approximately 20,000 gross square feet. The Industries' building was part of the second phase of the institution's construction project and should be completed in July 1996. The industry will begin in October, 1996.

On September 21, 1994 based on an extensive marketing study, the Prison Industries Board approved a textile operation to be operated at Jackson. Staffing and funding were requested in both the 1995-97 budget request and the recent Corrections Budget. In both cases the Joint Committee on Finance removed the resources based on the belief that establishing this operation at Jackson constituted the opening of a new industry under §. 303.01(1)(c) of the Statutes which requires the Department to give notice and Joint Finance to hold a public hearing. Based on this we did provide notice on April 2, 1996 and a public hearing was held on April 16, 1996.

### Program Need

The main product of this operation will be inmate clothing. Currently, inmate short sleeve shirts are manufactured at the Textile Industry at the Green Bay Correctional Institution. This production will be relocated to the Jackson site in September.

Inmate pants will be prototyped at the Green Bay operation during the next few months. Manufacturing will begin in September and relocated to the Jackson site by the end of 1996.

James Klauser, Secretary

May 29, 1996

Page 2

It is estimated that the Department will order 20,000 shirts and 20,000 pants per year. As the prison populations increase the volume of orders will also increase.

Revenues from inmate shirts and pants manufactured at the Jackson site are estimated to be \$240,000 in FY97. In the first full year of operation in FY98 revenues are expected to be \$365,000.

Expenditures in FY97 at Jackson are estimated to be \$222,700 based on the following breakdown:

	<u>FY97</u>
Cost of Materials	\$135,000
Direct Labor	15,000
Staff Salaries (9 months each in FY 97)	49,900
Misc. Supplies	5,000
Administration	<u>17,800</u>
	\$222,700

With revenues of \$240,000, a cash profit of \$17,300 will be realized.

Doing only inmate clothes in FY98, revenues would be \$365,000 and expenditures would be \$341,400, generating a \$23,600 profit.

Only two staff (an Industries Supervisor 2 (\$12.491 per hour) and an Industries Specialist 2 (\$10.688)) are requested based on an April 29, 1996 letter from the Co-Chair of the Joint Committee on Finance which requested the Department to inform the committee prior to expanding the operations at Jackson to include clothing for county inmates and staff uniforms. Unless the product line is expanded the third staff position is not necessary.

An average of 16 inmates will be employed 37 hours per week for 9 months during the first year of operation. They will average \$0.70 per hour in pay. The second year that number will increase to an average of 27 inmates for 37 hours per week at \$0.70 per hour.

#### Summary of Request

##### FY97

Salaries and Fringe (2 FTE)	\$ 54,100
Variable Non-Food (Inmate Wages)	15,000
Supplies and Services	<u>157,800</u>
TOTAL	\$222,700

A summary of the fund condition for FY97 for appropriation 134-Prison Industries is attached.

James Klauser, Secretary  
May 29, 1996  
Page 3

Summary

The Department of Corrections requests a permanent increase in expenditure authority in S. 20.410(1)(km), appropriation 134 of \$222,700 and 2.0 permanent positions in FY97 in order to open the textile operation at the Jackson Correctional Institution.

Sufficient revenues will be generated from the sale of inmate clothing to meet the expenditures.

cc: Ave M. Bie                      Dean Stensberg  
Ken Sondalle                      Cindy Schoenike  
Pam Brandon                      Steve Kronzer  
→ Roger Fetterly                      Mary Cassady  
Cathy Halpin                      Dan Steeger

Department of Corrections  
Fund Condition

Numeric Appropriation 134-Prison Industries

Opening Balance (Estimated)	<u>FY97</u> (\$ 1,672,000)
Revenues	\$14,240,000
Revenues this 16.515 request	<u>240,000</u>
TOTAL REVENUES	\$14,480,000
Expenditures	\$13,840,000
Expenditures this 16.515 request	<u>222,700</u>
TOTAL EXPENDITURES	\$14,062,700
Closing Balance FY97	(\$ 1,254,700)